

Message Text

CONFIDENTIAL

PAGE 01 SEOUL 01467 221002Z

ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 XMB-02 PA-01 ACDA-12 CIAE-00

INR-10 IO-13 L-03 NSAE-00 EB-08 NRC-05 OES-07

SOE-02 DODE-00 DOE-11 SS-15 SP-02 CEQ-01 NSCE-00

SSO-00 USIE-00 INRE-00 TRSE-00 OMB-01 AID-05 PM-05

/128 W

-----114571 221008Z/14

O R 220935Z FEB 78

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 9470

INFO AMEMBASSY LONDON

AMEMBASSY TOKYO

C O N F I D E N T I A L SEOUL 1467

PASS EXPORT-IMPORT BANK FOR HEIDRICH

E.O. 11652: GDS

TAGS: BEXP, EFIN, BENC, OECD, UK, US

SUBJECT: KORI NUCLEAR POWER STATIONS THREE AND FOUR

REF: SEOUL 1015

1. ON MORNING OF FEBRUARY 22, EMBASSY LEARNED FROM LOCAL U.S. COMMERCIAL SOURCES THAT SOUTH KOREAN NATIONAL ELECTRIC UTILITY (KECO) HAD THAT DAY CABLED THE HOME OFFICES OF G.E.C. (UNITED KINGDOM) AND WESTINGHOUSE (U.S.) TO INFORM THEM OF THEIR SELECTION AS THE PRIMARY AND ALTERNATE SUPPLIERS, RESPECTIVELY, FOR THE KORI THREE AND FOUR NUCLEAR PLANT TURBINE/GENERATOR EQUIPMENT. WESTINGHOUSE AND G.E. WS.) LOCAL OFFICES HAVE CONFIRMED KECO'S SELECTION OF G.E.C. FOR THIS TWIN TURBINE PROJECT. EMBASSY HAS ALSO BEEN IN CONTACT WITH KECO TO ELICIT KECO'S CONFIRMATION THAT KECO, WITH THE APPROVAL OF THE ROK GOVERNMENT, HAS SELECTED G.E.C. OVER THE TWO U.S. BIDS AND SWISS (B.B.C.) OFFERS. KECO NUCLEAR

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 SEOUL 01467 221002Z

PLANNING OFFICE TOLD US THAT U.S. QUALITY AND LOCALIZATION PROGRAM SIMPLY DID NOT COUNTER-BALANCE LOW G.E.C. PRICE AND U.K. GOVERNMENT FINANCING PACKAGE WHICH PUT THE KECO EVALUATED BRITISH OFFER "A FULL \$10 MILLION LOWER" THAT U.S. PROPOSALS.

2. ON THE SAME MORNING, CHARGE MET PRIVATELY WITH SECOND

SECRETARY O WON-CHOL AT THE BLUE HOUSE TO EMPHASIZE USG INTEREST IN THE KORI THREE AND FOUR PROJECT AND TO CONFIRM SECRETARY O'S SUPPORT FOR U.S. EQUIPMENT SELECTION. THE CHARGE POINTED OUT THAT U.S. PRIVATE INDUSTRY HAD MADE A DETERMINED EFFORT TO COMPLY WITH ROK GOVERNMENT'S GUIDELINES ENCOURAGING EQUIPMENT LICENSING AND LOCALIZED MANUFACTURING. THE CHARGE NOTED THAT IN ASSEMBLING THESE LOCALIZATION PROGRAMS BOTH U.S. FIRMS HAD ERODED THEIR PRICE COMPETITIVENESS AND HE REQUESTED THAT O DO EVERYTHING IN HIS POWER TO SEE THAT THIS FACT RECEIVED DUE ATTENTION IN THE BID EVALUATION. O REPLIED THAT THE U.S. LOCALIZATION PROGRAMS AND OUR UNDERSTANDING OF THE ROKG'S POSITION WERE IN FULL AGREEMENT WITH HIS OWN EFFORTS. FURTHERMORE, CHARGE NOTED THAT EX-IM BANK FINANCING WAS FOR WHOLE PROJECT INCLUDING TURBINES. ALSO U.S. BUILT TURBINES/GENERATOR HAD PROVEN TRACK RECORD. O EXPLAINED THAT TO HIS KNOWLEDGE A TURBINE/GENERATOR DECISION ACCEPTABLE TO THE ROK GOVERNMENT HAD NOT YET BEEN REACHED. O STATED THAT THE PRICE VERSUS LOCALIZATION CONTROVERSY WAS STILL ALIVE AND WAS BLOCKING THE TURBINE GENERATOR DECISION. HE HOPED A DECISION COULD BE MADE SOON, AGAIN INDICATED HE WOULD SUPPORT THE BEST LOCALIZATION PACKAGE, BUT INDICATED HE HAD NO CONCRETE IDEA ON THE ACTUAL TIMING OF THE DECISION AND ANNOUNCEMENT.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 SEOUL 01467 221002Z

3. WHILE EMBASSY IS NOT CONVINCED THAT THE GAME IS UP AND THAT THE BRITISH PACKAGE ENJOYS THE OFFICIAL ENDORSEMENT OF THE ROK ECONOMIC MINISTERS, IT DOES APPEAR THAT KECO IS DETERMINED TO BEGIN CONTRACT NEGOTIATIONS WITH G.E.C. IMMEDIATELY. KECO HAS RECENTLY APPROACHED HYUNDAI INTERNATIONAL (U.S. G.E. IS TECHNOLOGY AND LICENSE PARTNER) TO SOUND THEM OUT ON THE POSSIBILITY OF LOCAL PRODUCTION OF THE G.E.C. TURBINES. WE UNDERSTAND THAT WESTINGHOUSE IS DISPATCHING A HIGH-LEVEL MANAGEMENT TEAM TO SEOUL IN A LAST DITCH EFFORT TO TURN AROUND A TURBINE/GENERATOR BATTLE THEY FEEL IS VERY CLOSE TO BEING LOST. WE ASSUME WESTINGHOUSE AND G.E. WILL BE IN CONTACT WITH EXIM BANK AND THE DEPARTMENT TO APPRISE YOU OF THIS UNTOWARD DEVELOPMENT AND SEEK ANY ASSISTANCE ON THE ISSUE. FOR OUR PART, WE ARE DETERMINED TO GET A FIRMER HANDLE ON THE DECISION AND CONFIRM EXACTLY WHO HAS APPROVED WHAT. THE CHARGE RECONTACTED O AND THE ECON COUNS WILL VISIT EPB. O SAID THAT HE HAD NOT KNOWN OF KECO'S CABLE AND DID NOT VIEW IT AS A FINAL DECISION. WE HOPE TO HAVE MORE COMPLETE DETAILS WITHIN 24 HOURS AND WILL ADVISE. TO OUR KNOWLEDGE THERE HAS NOT BEEN A FINAL DECISION ON THE NUCLEAR SYSTEMS, BUT WE FEEL AN ANNOUNCEMENT IS

IMMINENT.
STERN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EQUIPMENT, NUCLEAR POWER PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 feb 1978
Decapton Date: 01 jan 1960
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SEOUL01467
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780079-0849
Format: TEL
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780227/aaaaawuq.tel
Line Count: 118
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: db132bd2-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 SEOUL 1015
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3519620
Secure: OPEN
Status: NATIVE
Subject: KORI NUCLEAR POWER STATIONS THREE AND FOUR
TAGS: BEXP, EFIN, BENC, ENRG, UK, US, OECD
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/db132bd2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014